

SUMMARY of the 2007-2013 planning period Operational programme “Entrepreneurship and innovations” implementation

Final Report on implementation of the EU funds in Latvia during the 2007-2013 planning period in **Operational programme “Entrepreneurship and Innovations”** (OP) (2007LV161PO001) is prepared according to the Art.67 of *Council Regulation (EC) No 1083/2006*¹ and the Annex XVIII of *Commission Regulation (EC) No 1828/2006 of 8 December 2006*, as well as the *European Commission Guidelines on Closure Art.5.2*.

The information provided in this report about the EU funds investment performance convincingly demonstrates that the **main objectives of the OP** have been reached – through effective implementation of investment projects, providing support for development of science, innovation and entrepreneurship, enabling research and development technology transfer, while strengthening cooperation among entrepreneurs and researchers, supporting establishment of new entrepreneurships and facilitating access to the finance resources.

EU funds financing is one of the most crucial investment sources in the economy of Latvia, which both limited negative impact of economic decline during the financial crisis, and stimulated the stabilization of economy and facilitated economic growth recovery. Ministry of Finances analysis data indicates that in the time period from 2011-2015 the impact from EU funds on gross domestic product increase was approximately 1,3%.

In total, 4579 projects have been successfully implemented within 25 OP activities/ sub-activities with total eligible expenditure of 1 307,9 million Euro or 127,8% compared to what has been set in the OP, from which 878,6 million Euro or 126,2% were EU funding financing – also set in the OP. **Through the well-targeted risk management activities, Latvia was able to invest all available EU funding financing, additionally undertaking state budget’s overcommitments, which ensures 100% EU funding investment input in economy of Latvia, with substantial reserve to compensate risks.**

The planned value for the vast majority of the **OP indicators** is either reached or exceeded, and therefore conclusion is as follows – the main objectives of the OP, including the main priorities’ objectives, have been reached. Inability to achieve indicators stems from the fact that since the preparation of national strategic reference framework for 2007-2013 period in 2007, rapid changes in socio-economic situation in Latvia have occurred, caused by global financial crisis. Moreover, economy of Latvia is influenced by common geo-political situation in the world.

The established **EU funds management and control system**, based on mostly preventive measures, risk management and preliminary procurement checks (*ex ante* controls), in general ensured rather successful and effective OP implementation in Latvia. The level of errors detected ((for expenditures declared in 2015 and 2016 – 0.28%) by the Audit Authority proves that it is substantially lower than the materiality threshold set by European Commission (2%).

In order to maintain effective EU funds management and control systems’ activity, **the managing authority has taken a number of measures aiming for EU funds management and control systems improvement** – within its control mechanism, the managing authority has strengthened supervision over the functions that have been assigned to the managing authority, and has strengthened elimination of shortcomings once they have been identified. The managing authority has provided methodological support for the authorities involved in the EU funds management, strengthened cooperation with law-enforcement agencies, as well as has ensured implementation of a system for monitoring the use of time, and the attribution of remuneration for the authorities involved in EU funds management.

The main challenges in the EU funds implementation were: need for adapting to the new economic system, procurement problems (complaints, appeals, problems in procurement procedures) need for strengthening monitoring of delegated functions. With the global financial crisis, which seriously affected economics of Latvia, EU funds became the main finance instrument that contributed to the economic recovery. Modifications to the

¹ Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999

OP were done, impact indicators were revised, the affecting risks of the EU funds implementing were identified and measures in order to reduce the consequences were taken.

A crucial lesson from strategic planning point of view is a need for clear activities' aims and indicator formulating - a lesson learned on the basis of 2007-2013 planning period experience and assessments. The assessments for 2007-2013 planning period activities in particular cases have shown the weak link between the indicators and the activity aim, as well as too significant aim dependence on external factors. Based on these conclusions, the managing authority has followed closely that the interence logic is included in 2014-2020 planning period OP "Growth and Employment".

Taking into account the experience from 2007-2013 planning period, including experience with the systemic management of funds, conclusion is as follows: during 2014-2020 planning period only one agency will be working as a liaison body, contrary to the 2007-2013, when six institutions worked with contracting as liaison bodies. Accordingly, there will be provided possibility to implement simplification measures more effectively, reduce administrative burden for those involved and give maximally understandable support for those who are implementing projects and those who are interested. It has also proved possible to centralise the management information system, and focus on the e-cohesion full potential use.

A further main task is to follow up on ex-post monitoring, providing regular methodological support for the authorities involved in EU funds management, as well as a successful use of 2007-2013 planning period's experience in 2014-2020 planning period's management. At the same time separate *ex-post* evaluations will be made, which are necessary for further well-targeted investment planning and focusing, based on evidence about investment effectivity and sustainability and the best implementation model.